



GREEN CAPITAL
ADVANCING CORPORATE SUSTAINABILITY
AN INITIATIVE OF TOTAL ENVIRONMENT CENTRE

Green Marketing

Snapshot on how to avoid greenwash



Australian Government

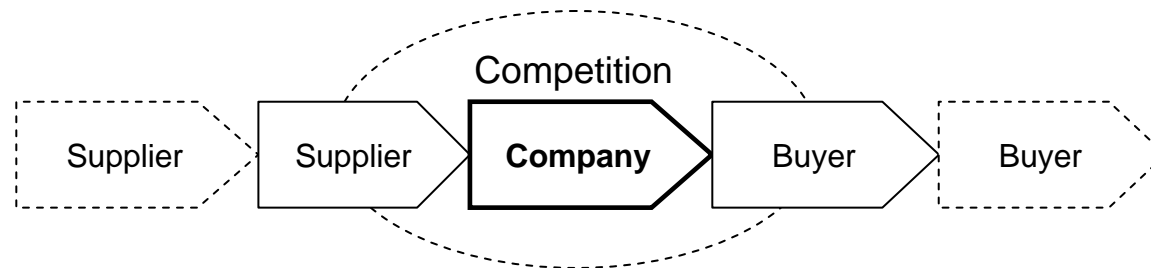
Department of the Environment, Water, Heritage and the Arts

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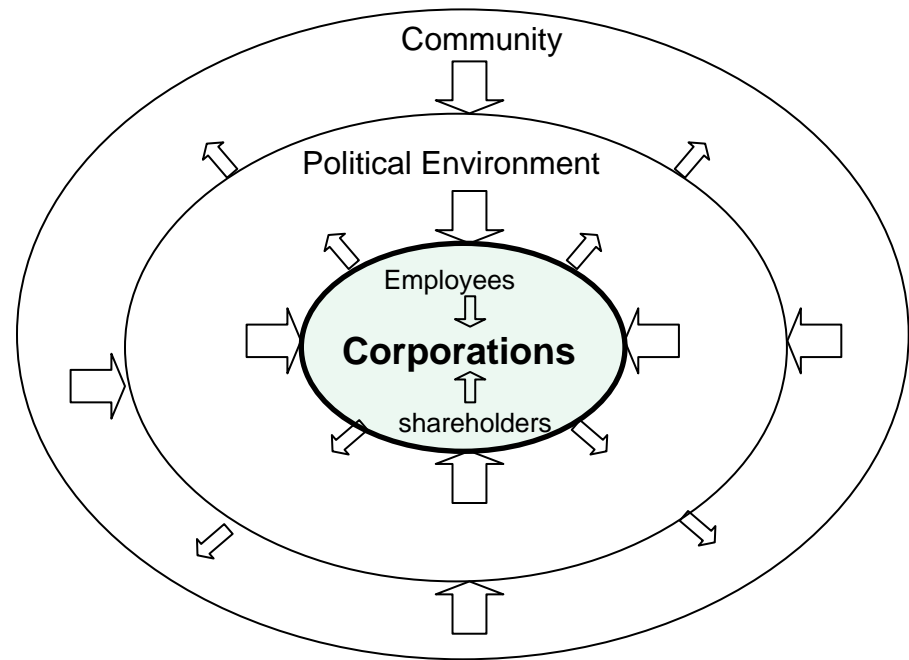
Companies in the marketplace



The market place consists of the direct environment of a company, which can be viewed upon as the total value chain in which an organisation operates, including its competition. For a company to survive and prosper it must be able to offer enough value with its products or services. With 'green' becoming a big concern, the environment and traditional economic drivers are becoming the twin dominant forces facing companies. This is welcomed by environment groups and the community because it helps internalize solutions to the external environmental problems of a product that have been caused by company activities.

Other forces on companies

Other pressures on companies are starting to appear and intensify. The political agenda now includes legislation, standards, voluntary initiatives and even financial penalties. Community pressure (often through Non Governmental Organisations (NGOs)) is increasing; as are green demands from within companies, from staff and shareholders.



Read more:

1. Korten, D. 1995: When Corporations Rule the World. Berrett-Koehler Publishers, San Francisco.

Trends affecting companies

- Growing community/ consumer interest in green & socially responsible products
- Increased community pressure on companies to internalise externalities (to deal with environmental and social harm their company/ industry is causing), because communities don't want to bear the consequences such as health issues, loss of neighbourhood amenity, waste, or climate change
- Increased environmental, and government legislation/ initiatives
- Innovative technologies and approaches that minimise the cost of dealing with pollution and improved resource and energy efficiency.

Read more:

1. Waugh, Noelle, 14 April 2008 : Responsible approach finding favour. The Australian Financial Review.
2. Weizsacker, E. U. von 2004: Thinking about sustainable production and services in a globalised world. Greenleaf Publ.
3. Roodman, D. M. 1997: Getting the Signals Right: Tax Reform to Protect the Environment and the Economy. Washington, DC: Worldwatch Institute
4. Porter, M. E. and C. Van der Linde, 1995: Green and competitive: ending the stalemate. Harvard Business Review, 73, (5), 120-134.

Legislation: the Trade Practices Act (ACCC)

- The Act applies to all forms of marketing, including claims on packaging, labelling and in advertising and promotion across all mediums (print, TV, radio and internet). This means that any environmental claims you are considering need to be assessed against the requirements of the Act. Failure to abide by the rules can result in serious penalties.
1. Business have an obligation not to engage in any conduct that is likely to *mislead* or *deceive* consumers. Claims should be clear and unambiguous.
 2. The Act requires that a business not falsely represent goods as being of a particular standard, quality, value, grade, composition, style or model or having a particular history or previous use. So, goods must comply with any description that is provided in advertising or labelling. Also a business can not represent that goods or services have sponsorship, performance characteristics, accessories, uses or benefits they do not have.

Read more:

1. Australian Competition & Consumer Commission. Green marketing and the Trade Practices Act.
<http://www.accc.gov.au/content/index.phtml/tag/greenmarketing/>

ACCC's advice and principles

- be honest and truthful
- detail the specific part of the product or process referred to
- use language which the average member of the public can understand
- explain the significance of the benefit
- be able to substantiate claims

Principles to consider

1. Claims must be accurate
2. Claims should be able to be substantiated
3. Claims should be specific, not unqualified and/ or general statements
4. Claims should be in plain language
5. Claims should only be made for a real benefit and must not be overstated
6. Pictures can also be representations
7. Claims should make it clear whether benefits refer to packaging or content
8. Claims should consider the whole product life cycle
9. Claims using endorsement or certification should be used with caution
10. Claims should not overstate the level of scientific acceptance

Read more:

1. Australian Competition & Consumer Commission. Green marketing and the Trade Practices Act.
<http://www.accc.gov.au/content/index.phtml/tag/greenmarketing/>

Problematic Words

1. **‘GREEN’ or ‘ECO’**
These statements are very vague and invite consumers to give a wide range of meanings to the claim, which risks misleading them.
2. **‘ENVIRONMENTALLY FRIENDLY’ or ‘ENVIRONMENTALLY SAFE’**
These claims are also vague and could potentially mislead consumers into thinking that the product causes no harm at all to the environment, which is very unlikely.
3. **‘ENERGY EFFICIENT’**
Energy efficiency claims should be quantified by comparison to existing benchmarks or rating systems, or otherwise explained in more detail.
4. **‘RECYCLABLE’**
These claims can be potentially dangerous if the product (or part) is not recyclable, or if the facilities to recycle it are not available in Australia.
5. **‘CARBON NEUTRAL’**
Any claims you make about carbon neutrality should be factually based and not overstated. The entire life cycle of a product should be considered.
6. **‘RENEWABLE’ or ‘GREEN’ ENERGY**
When advertising renewable or green energy you should be careful that any representations made about cost, amounts supplied or the associated benefits are truthful and correct.

Read more:

1. Australian Competition & Consumer Commission. Green marketing and the Trade Practices Act.
<http://www.accc.gov.au/content/index.phtml/tag/greenmarketing/>

Labels and Schemes

A number of mandatory and voluntary labels & schemes have been set up to inform consumers and companies with an accreditation relating to a product's environmental and social impacts. Some are better than others and need to be carefully assessed.

- **Energy Rating**
The Energy Rating label enables consumers to compare the energy efficiency of domestic appliances on a fair and equitable basis. It also provides incentive for manufacturers to improve the energy performance of appliances.
- **Energy Star**
The National Energy Star Program is an international standard for energy efficient electronic equipment with a specific focus on standby power consumption.
- **Accredited Greenpower**
A national accreditation system managed by a collective of state and territory governments for retail energy products that contain a portion of energy generated by renewable means.
- **Environmental Choice Australia**
The Good Environmental Choice label is a voluntary program which takes a life cycle approach in its verification of products with a significantly reduced environmental impact.

Read more:

- Energy Rating: <http://www.energyrating.gov.au>
- Energy Star: <http://www.energystar.gov.au/>
- Accredited Greenpower: <http://www.greenpower.gov.au/home.aspx>
- Good Environmental Choice Australia: <http://www.aela.org.au/>

Labels and Schemes (continued)

- **Green Globe**
Green Globe 21 is the global benchmarking, certification and improvement system for sustainable travel and tourism.
- **The Wels water-rating label**
Provides water efficiency information for water-using household products. It requires products to be labelled according to their water efficiency, allowing consumers to compare and purchase water efficient products.
- **Fairtrade Products**
Fairtrade Labelling Organizations International unites 20 labelling initiatives in 21 countries and producer networks representing Fairtrade Certified Producer Organisation in Central and South America, Africa and Asia. The label certifies that producers of these products receive fair remuneration and work under decent conditions.
- **EOWA Employer of Choice for Women**
The Employer of Choice for Women (EOCFW) citation is an acknowledgment by EOWA of organisations that are recognising and advancing women in the workplace.
- **Greenhouse Friendly**
Products and services which are certified as Greenhouse Friendly™ are based on the principles of life cycle assessment, the 'cradle-to-grave' greenhouse gas emissions associated with the production, use and disposal of certified products or services.

Read more:

- Green Globe: www.greenglobe21.com/
- The Water Efficiency Labelling and Standards (WELS) Scheme: <http://www.waterrating.gov.au/about/index.html>
- Fairtrade Products: <http://www.fairtrade.net/>
- EOWA Employer of Choice for Women. <http://www.eowa.gov.au/>
- Greenhouse Friendly: <http://www.greenhouse.gov.au>

Labels and Schemes (continued)

- **Marine Stewardship Council (MSC)**
MSC is an independent non-profit organisation that promotes responsible fishing practices and certifies fisheries and suppliers.
- **Australian Certified Organic (ACO)**
ACO is Australia's largest certifier for organic and biodynamic produce and has over 1500 operators within its certification system. ACO is a fully-owned subsidiary of Biological Farmers of Australia (BFA).
- **Australian Forestry Standard (AFS)**
Australian Forestry Standard is a national body formed to promote sustainable forest management through the development and maintenance of the Australian Forestry Standard, and related complementary standards.
- **Forest Stewardship Council (FSC)**
The FSC is an international body which accredits certification organisations in order to guarantee the authenticity of their claims; and is stricter than the AFS
- **Health and Nutrition labelling**
A mandatory national scheme for all foods with more than one ingredient managed by the independent statutory agency Food Standards Australia New Zealand (FSANZ). Good

Read more:

- Marine Stewardship Council. <http://www.msc.org/>
- Australian Certified Organic. <http://www.australianorganic.com.au>
- Australian Forestry Standard. <http://www.forestrystandard.org.au/>
- Forest Stewardship Council. <http://www.fscus.org/>
- Health and Nutrition labelling. <http://www.foodstandards.gov.au>

Misleading Claims – Greenwash

- Public consciousness about climate change and other environmental issues is growing, causing the “green” (environmentally responsible) factor to become a key differentiating point for brands. While Australian companies understand this demand in the majority of cases, over the last decade they have turned their environmental priorities to marketing, communication and public relations, rather than product design, life cycle and company skills.
- This has led to false, misleading, irrelevant, and very selective environmental information on products, which could be called forms of *greenwash*.

Green*wash (n)

Disinformation disseminated by an organisation so as to present an environmentally responsible public image. Oxford English Dictionary 10th ed.

Greenwash according to the Total Environment Centre – Green Capital

Key communications or actions by an organisation that creates a reputation of being more responsible or sustainable than they actually are.

Read more:

- Understanding Misleading Environmental Claims of Products in Australia.
<http://www.cleanup.com.au/PDF/au/understanding-environmental-claims.pdf>
- Total Environment Centre. “Reputation or Reality? A Discussion Paper on Greenwash & Corporate Sustainability.”

Top 6 Greenwash practices in North America

- 1. Single Issue Claims – Hidden Trade-Offs (57%)**
Suggesting a product has a good environmental performance through a single environmental attribute or an unreasonably narrow set of attributes without attention to other important, or perhaps more important, environmental issues.
- 2. No Proof Claims (26%)**
Any environmental claim that cannot be substantiated by easily accessible supporting information, or by a reliable third-party certification.
- 3. Vagueness (11%)**
Claims that are poorly defined or so broad that the real meaning is likely to be misunderstood by the intended consumer.
- 4. Irrelevant Claims (4%)**
Making environmental claims that may be truthful but unimportant and unhelpful for consumers seeking environmentally preferable products.
- 5. Lesser of Two Evils (1%)**
“Green” claims that may be true within the product category, but that risk distracting the consumer from the greater environmental impacts of the category as a whole.
- 6. Fabrication (1%)**
Making environmental claims that are simply false.

Read more:

- The Six Sins of Greenwashing. TerraChoice Environmental Marketing. Nov 2007.

Example 1: Energy Australia

On December 21, 2007 Energy Australia agreed to provide the Australian Competition and Consumer Commission (ACCC) with an administrative undertaking to resolve their concerns about representations they had made about its *ClearAir* and *GreenFuture* non-accredited electricity products, which meant there was no guarantee that the money was being invested renewable energy. Energy Australia claimed on their website and in promotional material that these products would provide “100% green electricity at no extra cost” and “100% renewable energy”. A related claim was that “for every kilowatt hour of electricity you buy, the same amount of electricity will be generated from 100% renewable sources, and that’s guaranteed”.

While these products were withdrawn in 2006, after receiving a complaint from TEC, the ACCC were concerned that customers who had signed up to these products had been misled that they were contributing to new renewable generation such as that in accredited products. This was not the case and Energy Australia whilst not admitting contravention of the TPA agreed to the following:

1. Provide all former customer of the unaccredited products with 3 months of 100% PureEnergy at the same price as the current contract and then terminate those contracts.
2. Send corrective letter to former customers explaining the difference between accredited and unaccredited in terms agreed upon by the ACCC.
3. Conduct a review of their trade practices compliance program
4. Provide \$100,000 to the GreenPower team or an NGO to publish a brochure explaining the difference between accredited and unaccredited.

Read more:

- ACCC: Energy Australia clear air about green electricity claims.
<http://www.accc.gov.au/content/index.php/itemId/806650/fromitemid/2332>

Example 2: Saab – GM Holden

Vehicles from Saab are imported and distributed in Australia by GM Holden. The ACCC has alleged that Saab made false representations in newspaper and magazine advertisements, and that this constitutes misleading and deceptive conduct proscribed by Sections 52 and 53c of the Trade Practices Act.

At issue is the claim that buying a Saab meant a switch to “carbon neutral” motoring. Saab promised to plant 17 trees for every car sold, which it claimed would offset the carbon dioxide emissions for the life of the vehicle. In reality, 17 trees would only sequester enough CO₂ for one year of the car’s life.

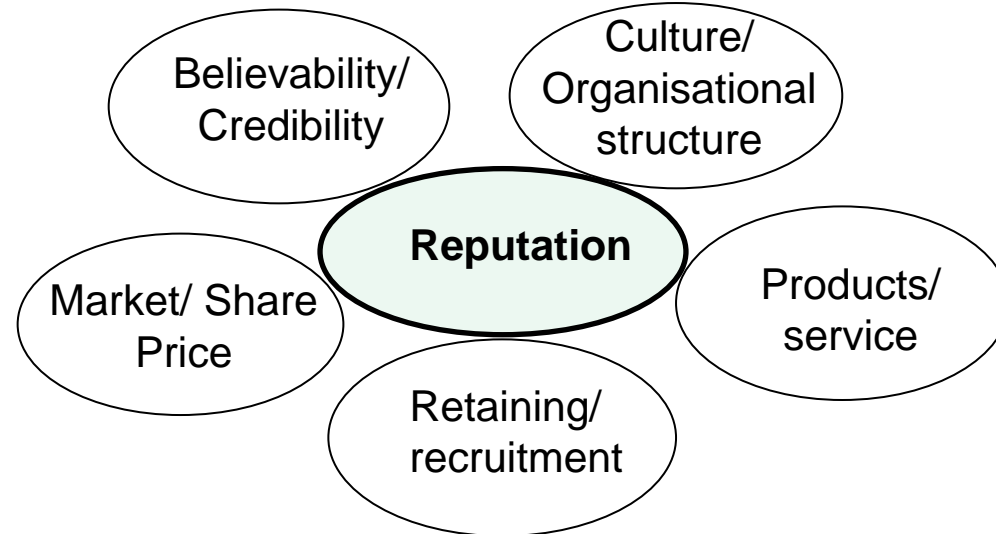
In addition to a possible fine, the ACCC want to review GMH’s entire trade practices compliance program. If GM Holden is found guilty at the impending hearing of contravening the Trade Practices Act, it would face a maximum penalty of \$1 million, and damage that both companies would suffer to their reputations.

Read more:

- ACCC. ACCC takes action against GM Holden Ltd over Saab 'green' claims. Jan 2008.
<http://www.accc.gov.au/content/index.phtml/itemId/808355>
- Kate Burgess. “Not so squeaky green”. In BRW. April 17-23 2008

Risk of Greenwash: reputational damage

The biggest risk of greenwash is damaging your company's reputation.
An 'increasing component of company value (book and market) is held in intangibles (eg. brand, image, reputation).
The figure below shows the different components of reputation.



Read more:

- Kate Burgess. "Not so squeaky green". In BRW. April 17-23 2008

Recommendations for Businesses

- Be aware and understand the growing community/ consumer interest in green & socially responsible products and connect this to your company objectives and sustainability plans
- Keep track of current and new environmental, and industry legislation/ initiatives
- Link new products and processes to innovative technologies and approaches that minimise the cost of dealing with pollution and improved resource and energy efficiency
- Understand all of the environmental impacts of your product across its entire lifecycle
- You can emphasize specific messages but don't use single issues to distract from other impacts
- Pursue continual improvement of your environmental footprint (across the entire lifecycle), and encourage your customer and suppliers to join you on the journey
- Skill up your marketing department about verifiable and credible environmental claims; or use external firms with a proven record
- Understand and confirm the scientific case behind each green marketing claim
- Provide independent evidence and contacts for third-party certifications/ labels, to anyone who asks

Read more:

- The Six Sins of Greenwashing. TerraChoice Environmental Marketing. Nov 2007.
- Total Environment Centre. "Reputation or Reality? A Discussion Paper on Greenwash & Corporate Sustainability."

References - Reading more

- Australian Competition & Consumer Commission. Green Marketing and the Trade Practices Act. 2005.
<http://www.accc.gov.au/content/index.phtml/tag/greenmarketing/>
- ACCC: Energy Australia clear air about green electricity claims.
<http://www.accc.gov.au/content/index.phtml/itemId/806650/fromitemid/2332>
- ACCC. ACCC takes action against GM Holden Ltd over Saab 'green' claims. Jan 2008.
<http://www.accc.gov.au/content/index.phtml/itemId/808355>
- Beder, Sharon. Global Spin. The Corporate assault on environmentalism. Scribe Publications. 1997.
- Burke Kelly. Green spin leaves shoppers baffled. Sydney Morning Herald. May 7, 2008.
<http://www.smh.com.au/news/environment/green-spin-leaves-shoppers-baffled/2008/05/06/1209839649485.html>
- Burgess ,Kate. Not so squeaky green. BRW. April 17-23 2008.
- The Economist. Good corporate citizens believe that capitalism is wicked but redeemable. Vol. 374, Issue 8410; Jan 22, 2005. 2005. p. 11-12.
- Futerra Sustainability Communications. The Greenwash Guide. 2008
http://www.futerra.co.uk/downloads/Greenwash_Guide.pdf
- Korten, D. When Corporations Rule the World. Berrett-Koehler Publishers, San Francisco. 1995.

References - Reading more

- Porter, M. E. and C. Van der Linde. Green and competitive: ending the stalemate. Harvard Business Review, 73, (5), 120-134. 1995.
- Roodman, D. M. Getting the Signals Right: Tax Reform to Protect the Environment and the Economy. Washington, DC: Worldwatch Institute. 1997.
- TerraChoice Environmental Marketing. The Six Sins of Greenwashing. Nov 2007.
- Total Environment Centre. "Reputation or Reality? A Discussion Paper on Greenwash & Corporate Sustainability."
www.greencapital.org.au/index.php?option=com_docman&task=doc_download&gid=12 – Understanding Misleading Environmental Claims of Products in Australia.
<http://www.cleanup.com.au/PDF/au/understanding-environmental-claims.pdf>
- Warren, M. Brand value can come out in green wash. The Australian. April 28, 2008.
<http://www.theaustralian.news.com.au/story/0,25197,23606629-5016634,00.html>
- Waugh, Noelle. Responsible approach finding favour. The Australian Financial Review. 14 April 2008.
- Weizsacker, E. U. von. Thinking about sustainable production and services in a globalised world. Greenleaf Publ. 2004.

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